Carlisle, John Griffin

Speech of

Hon. John G. Carlisle...

[S.l.]

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No. 7

# SPEECH

OF

# Hon. JOHN G. CARLISLE,

AT MEMPHIS, TENN.,

Silver

THURSDAY, MAY 23, 1895.

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*Mr. President and Gentlemen of the Convention:*

I congratulate myself upon my good fortune in having the opportunity to appear before this large assemblage of Southern business men, and I congratulate the people of the South upon their good fortune in being able to send here so many real representatives of their great industrial and commercial interests. It has frequently been my privilege to address commercial and financial organizations in other parts of the country, but nowhere have I met a greater number of earnest and intelligent gentlemen than I see before me to-day. I am sure that nothing less than a full appreciation of the vast importance of the questions to be considered could have secured the attendance of so large a number of active business men upon this occasion, and the fact that they have voluntarily abandoned their usual avocations to participate in the proceedings of this convention encourages me to believe that their efforts in behalf of a sound financial policy will not cease when it has adjourned.

Mr. President, I do not think the importance of the questions you are called to consider can be overestimated, or that the gravity of the situation can be overstated. The proposition to revolutionize our monetary system and thus destroy the credit of the government and the people at home and abroad, violate the obligations of all contracts, unsettle all exchangeable values, reduce the wages of labor, expel capital from our country, and seriously obstruct the trade of our people among themselves and with the peoples of other countries, is one which challenges the intelligence, patriotism and commercial honor of every man to whom it is addressed. No matter what may be the real purposes and motives of those who make the proposition to legalize the free and unlimited coinage of silver at a ratio of 16 to 1, these are the consequences involved in their scheme, and, in my opinion, they cannot be avoided if it should be adopted. In no part of the country will the consequences of such a policy prove more injurious to the material interests of the people than in the undeveloped and progressive South. When the great civil war closed, your industrial system was destroyed, your commercial relations were all broken up, your currency was worthless, your farms were devastated, your mines were closed, your forests were untouched, your water power was useless, and your railways were unsafe and inadequate, even for the limited service they had to perform; but your great natural resources were still unimpaired, and upon that foundation you have constructed, and are still constructing, a system of diversified industries and interstate and international commerce which, if not disturbed by unwise experiments in financial legislation, must attract to your section of the country all the active capital

and skilled labor necessary to make it the most prosperous part of the continent. Your magnificent deposits of coal and iron, your fertile soil, adapted to the growth of cotton, sugar and many other products which no other part of the country will yield, your unrivaled facilities for the manufacture of iron and steel, cotton goods, lumber, oil, furniture, and almost innumerable other articles which can be cheaply produced from the raw materials within your limits, constitute the elements of a marvelous growth and prosperity which nothing can prevent if the people of the South will continue to exhibit in the future the same spirit of conservatism and the same devotion to principle that have always characterized them in the past. The world has never witnessed a grander exhibition of courage and fortitude than was presented here when a defeated and impoverished people, without money or credit, and almost destitute of the tools and implements necessary to the performance of manual labor, went uncomplainingly to work to re-establish their social order, renew their commercial relations, and reconstruct their industrial system; and I am unwilling to believe that the same people can now be so discouraged by a temporary business depression, or so moved by appeals to their prejudices, that they will hastily resort to new and hazardous experiments with the currency in which all their transactions must be conducted.

### ARGUMENTS, NOT MOTIVES, IMPEACHED.

I do not charge that our fellow-citizens who propose to revolutionize our monetary system by a sudden change in the standard of value really desire to see the business of the country ruined, or even injured, or that they believe any injurious consequences would follow the adoption of their policy; but, in my judgment, the results would be most disastrous to the material interests of all the people in every part of the country; and, therefore, I shall appeal to them carefully to review the grounds upon which their opinions have been formed before it is too late to correct a possible mistake upon a subject of such supreme importance to themselves and to their posterity. It is not necessary to impeach their motives in order to answer their arguments, nor would it be wise or proper to underestimate the intellectual and material forces behind this great popular movement in the South and West—a movement which now seriously threatens to disrupt existing political organizations and reform party lines; but, no matter what may be the motives or the present numerical strength of our opponents in this controversy, the merits of the policy they propose to inaugurate must be subjected to the tests of reason and experience, and if it is shown to be impracticable, or fundamentally wrong in principle, we may be confident that it will not finally command the support of a majority of our people.

### METAL FIXES VALUE OF COIN, NOT COIN OF METAL.

Before proceeding to the discussion of the main question presented, it may be advantageous to state as briefly as possible a few admitted or well-established facts having an important bearing upon it. From the earliest times gold and silver have been used as money, not because there was at the beginning any law declaring them to be money, but because, by reason of their limited and regular supply, their great value as compared with other things in proportion to weight and bulk, and their durability, they were more stable and convenient than any other commodity as measures of value in making exchanges. Consequently, these metals were used



as money by common consent of the people for centuries before there was any law upon the subject or any coins in existence; they passed by weight, and their values in effecting exchanges were determined by the quantity of pure metal contained in each piece. Each metal had a distinct value of its own, and when it was used in trade neither the buyer nor seller troubled himself about the ratio between it and the other metal. The laws of trade fixed and regulated the actual and relative values of both metals in the purchase and sale of other commodities just as they do now. They had been used as money several centuries before any government undertook, by royal proclamation or statute law, to establish a ratio between them, and when this character of legislation was first begun the public authorities did not attempt to establish new values or new ratios, but accepted those already fixed by the laws of trade and the custom of merchants. Coins were made, not for the purpose of attempting to add anything to the intrinsic or exchangeable value of the metal contained in them, but for the purpose of attesting, by public authority, its weight and purity, thus avoiding the delay and uncertainty resulting from the practice of weighing each piece as it passed from one to another. That the coinage of the metals does not now add anything to their actual value in the commercial world is conclusively proved by the facts that in all the great transactions between the people of different countries the coins are accepted only at their bullion value, determined by their actual weight and fineness, and that bullion itself is still used in making payments, just as it was thousands of years ago. Whatever effect legislation upon the ratios, in connection with legal-tender laws, may have had upon the use of the two metals in the payment of antecedent debts, it has never had the slightest effect upon the actual or relative values of the two metals in national or international trade. For many centuries, even after the commerce of the world had grown to enormous proportions, the propriety of making any given quantity of bullion, or any particular coin, a legal tender was not even suggested, and up to the present time there is no legal tender in international trade. Whether payments are made in gold or silver coins, or in gold or silver bullion, actual intrinsic value determines the amount or quantity to be delivered, no matter what may be the legal-tender laws of the different countries, and no matter though they may have the same or different ratios of value between the metals within their respective limits. The law of France, for instance, places a higher value upon silver relatively to gold than is placed upon it by the laws of the United States, the French ratio being 15½ to 1, and ours being 16 to 1; but if 16 pounds of our silver, coined or uncoined, were sent to that country to be used in the payment of a debt or in the purchase of commodities, it would not be accepted at the ratio of 15½ to 1, or at the ratio of 16 to 1 as compared to gold, but only at the ratio of about 32 to 1, which shows that neither our ratio nor the French ratio has any effect whatever upon the value or purchasing power of the metal itself. Coinage is free in Mexico, and the dollar, which is full legal tender, contains 377.17 grains of pure silver, while our dollar contains only 371.25 grains of pure silver; yet Mexican silver dollars are sent into the United States and other parts of the world and sold at the price of the bullion contained in them, which is about one-half their nominal or legal value in their own country. The legal-tender laws affect the debt-paying power of the coin itself in the country where the laws prevail, but the laws establishing ratio do not affect the value of the metal contained in the coins either at home or abroad, because it is the metal that fixes the value of the coin, and not the coin that fixes the value of the metal.

### RATIO OF COIN TO CREDIT.

For a long time, during the early history of the world, and even during the mediæval age, gold and silver, in bullion or in the form of coins, constituted almost the entire circulation among the people, even in the nations most advanced in trade and civilization, and consequently the quantity of these metals that could be procured and kept in use was a question of far greater importance then than it is now or ever can be in the future. When life and property had been made reasonably secure by the establishment of stable governments, and regular processes were anthorized for the enforcement of pecuniary obligations, credit or confidence largely took the places of bullion and coin in the commercial transactions of the people, and a much smaller amount of metallic money was required in proportion to the whole volume of business done than had been required before. The use of credit in the form of bank notes, checks, bills, and other evidences of debt has so increased in modern times that in all highly organized commercial commnnities the use of coin, except in making change, has been almost entirely dispensed with. The percentage of coin actively employed in conducting business in this country is so small that it is almost inappreciable ; so small, in fact, that its disuse in our transactions would not be felt if we had a substitnte for, or a paper representative of, the subsidiary pieces. In England, France, and some other countries a larger amount of coin is used, because they have no very small notes.

Although we have the gold standard, or measure of value, in this country, our actual stock of gold bullion and coin amounts to only about one-third of our actnal currency—a condition of affairs which would have been inconceivable a few centuries ago. We have about $625,000,000 in gold, $397,652,873 in full legal-tender silver, $346,681,000 in old United States notes, $149,584,471 in Treasury notes issued in the purchase of silver bullion, $209,719,850 in national-bank notes, and $76,169,569 in snbsidiary silver coin, making in all $1,804,707,763, exclusive of the minor coins, and every dollar of this vast volume of currency is kept equal in value to the standard established by law, so that every man who receives a silver dollar or paper dollar in exchange for his products, or in satisfaction of a debt, gets just as good a dollar as the man who receives gold. This is the monetary system and this is the financial condition which the advocates of free coinage at the ratio of 16 to 1 now propose to revolutionize at once by a change in the standard of value, so that the whole mass of circulation left for the use of the people would be reduced to about one-half the pnrchasing power it has now ; or, in other words, so that it would reqnire about double the amount of currency that is required now to perform the same service in the exchange of commodities. But the consummation of such a policy would produce results more far-reaching and disastrons than the mere reduction of the standard of value ; because, for a long time, at least, credit, which constitutes by far the most important factor in our financial and commercial transactions, would be substantially destroyed by the confusion and uncertainty necessarily following such a great and sudden change in our monetary system.

### A PHYSICAL AND METAPHYSICAL ABSURDITY.

But it is contended by a large number of the advocates of free coinage—perhaps a majority of them—that the effect of their policy would be, not to abolish the present standard of value and substitute the single silver standard in its place, but that it would establish what they call bimetallism and a double



standard. I confess my inability to understand what is really meant by a double standard or measnre of value ; the idea is incomprehensible to my mind, because I cannot conceive how it is possible to have two different legal and authoritative measures of the same thing in use at the same time, as, for instance, a pound weighing sixteen ounces and a pound weighing eight ounces, or only half as mnch, and both declared by law to be legal ponnds. I agree entirely with Gen. Jackson's Secretary of the Treasury, who said : "The proposition that there can be but one standard in fact is self-evident." The proposition to establish and maintain two different measures of value to be in use at the same time, and to be applied to the same things at the same time, embodies a physical and metaphysical absurdity, and this is so evident that the ablest thinkers and writers upon the subject have been at last forced to abandon it. Prof. Francis A. Walker, one of the most distinguished bimetallists in the United States or in the world, in a carefully prepared paper recently pnblished, says :

> But one thing more remains to be said in this connection ; that is, in reply to the allegation of the monometallist writers that the course of events in France which has been recited did not constitute a genuine case of bimetallism. If these writers may be permitted to impose their own definition upon us, their contention can to a considerable extent be made good. What they say is, that France from 1803 to 1873 did not enjoy the concurrent circulation of the two metals, but only an alternate circulation, now of one and now of the other ; and this, they declare, is not bimetallism at all. Therefore, according to their view, there is no great historical instance of the success of bimetallism.
>
> If, on the other hand, we may be permitted for ourselves to say what we mean and propose by bimetallism, the criticism in question does not touch our case at all. We flatly deny that bimetallism necessarily involves the concurrent circulation of the two metals. There is some reason to believe that the French statesmen of 1803 really expected that concurrent circulation would result ; but no bimetallist nowadays makes the concurrent circulation of the two metals in the same country a necessity of that system. If it resnlts only in establishing an alternating circulation, the chief results of bimetallism will still be achieved, as they were by the action of France.

This is intelligible, for we can all understand how it is possible to have an alternating standard and circulation, sometimes gold and sometimes silver, and the monetary history of the world proves that this is just what happens whenever the two metals are freely coined in any country and made full legal tender. Values will always be measured by the kind of money in actual circulation, no matter what the law may declare, and, therefore, if the free and unlimited coinage of silver at the ratio of 16 to 1 should drive out gold and substitnte silver and paper redeemable in silver in its place, we should have a single silver standard and actual silver monometallism. Instead of using both gold and silver as we do now in larger amounts than ever before in our history, we should instantly expel the more valuable metal from the country and make the other the sole basis of our currency. We have now practical bimetallism—the use of both metals as money ; we should have then practical monometallism—the use of only one metal as money. This is neither speculation nor prophecy, bnt a conclusion based on facts established by the experience of all nations in all ages.

### THE FREE-COINAGE PROPOSITION STATED.

In order to eliminate all irrelevant matter and simplify the argument, allow me to state exactly what the proposition now pending before the people is : It is proposed that the United States, without the co-operation or assistance of any other government, shall provide by law that all the silver bullion, or foreign silver coins, that may be presented at the mints by individnals or corporations, foreign or domestic, shall be coined, at the public expense, into silver dollars, at the ratio of 16 to 1 with gold—that is, that sixteen pounds of silver shall be

considered equal in value to one pound of gold, and the weights of the coins shall be adjusted accordingly—and that the coins so made at the public expense shall be delivered to the owners of the bullion or foreign silver coins, as the case may be, and all the people of the United States, but nobody else, shall be compelled by law to receive them as dollars of full value, in the payment of debts due to them from their own fellow-citizens and from the citizens or subjects of other countries. It is not proposed that the citizens or subjects of other countries, with whom our people trade, shall be compelled to receive these silver dollars in their transactions with us, because that can be done only by international agreement, and our impatient free-coinage friends declare their determination to proceed at once independently of all other governments. All who are indebted to us are, therefore, to have the privilege of paying in silver, while all to whom we shall become indebted are to have the privilege of requiring us to pay in gold.

Measured by their purchasing power in the markets of the world, which is the only real test, the relative value of silver bullion to gold bullion is about 32 to 1; that is, it requires in all countries, silver-standard countries as well as gold-standard countries, about 32 pounds of silver bullion to procure the same quantities of commodities that one pound of gold bullion will procure, and, therefore, the proposition to authorize the free and unlimited coinage of silver into full legal-tender money at the ratio of 16 to 1 means, under existing conditions, that the intrinsic value of the silver dollar shall only be half, or about half, the intrinsic value of the gold dollar. My own opinion is that after we had passed a certain limit the more silver dollars we coined the less they would be worth, because the inflation itself would still further diminish their purchasing power. Such legislation by the United States alone would not reduce the value of the gold dollar to any extent whatever, because, as already stated, the value of that metal in commercial transactions all over the world is estimated according to its weight and fineness, and will continue to be so estimated, and consequently the only way in which this country alone could diminish the value of its gold dollar would be to reduce the weight of the pure metal contained in it.

### THE WORLD-WIDE FAILURE OF RATIOS.

The attempt to coin the two metals without limit as to amount into full legal-tender money and keep both in circulation at the same time has been made by nearly every civilized nation in the world and has failed in every one of them. It has failed because in every instance it has been found impossible to establish and maintain a legal ratio corresponding at all times with the intrinsic or commercial ratio between the two metals contained in the coins, and because whenever either of the metals was under-valued relatively to the other in the coinage laws it was expelled from the country. England persisted in the attempt for nearly five hundred years and, notwithstanding the enactment of most severe penal statutes against the exportation of coins or bullion, was at last forced to abandon the effort and adopt the single standard. France, in her efforts to keep the coins of the two metals in circulation at the same time, changed the legal ratio between them more than one hundred and fifty times in a single century, and finally, in 1878, finding that gold was leaving her and that in ten years her net imports of silver had amounted to $280,000,000, stopped the coinage of legal-tender silver, and for seventeen years the attempt has been abandoned in that country. Many other nations in Europe and other



parts of the world have subjected their people to great loss and expense by their adherence to monetary systems based upon the theory that a double standard could be maintained, but in no case have they succeeded in keeping the coins of the two metals in use at the same time, except for very short periods. Our own country is not without experience upon this subject, and the results here were just the same as they have been everywhere else. By the act of 1792, which was our first coinage law, the legal ratio between gold and silver was fixed at 15 to 1, when in fact the true commercial ratio was or soon became about 15½ to 1, and the result of this very small overvaluation of silver in the coinage was that gold went out of circulation and we had practically silver monometallism until after the passage of the Act of 1834. For the purpose of restoring gold to the circulation, Congress in 1834 changed the ratio from 15 to 1 to 16 to 1, and as this was an overvaluation of gold in the coinage, silver left the country, and from that time on until 1878 we had practically gold monometallism, whenever we had any metallic basis at all for our currency.

It would be a useless consumption of time to go into a detailed account of the monetary legislation of this and other countries, or to show at length how it affected the movements and use of the two metals by its repeated failures to conform the legal ratio to the actual commercial ratio between them. The great and important fact conclusively established by the history of that legislation and its effects upon the circulation of the coins of the two metals is, that whenever one of them is overvalued relatively to the other in the coinage laws, with free coinage or coinage upon equal terms, and both are made legal tender, the coins of the undervalued metal will be driven out of circulation and out of use as money in the country where the unequal valuation is made. The reasons for this are perfectly plain. Both being legal tenders, the least valuable coins will always be used in making payments, and will become the measures of value in the exchange of commodities, and consequently the more valuable coins will be hoarded or sent out of the country into a market where their real value will be recognized. Now, as this is just what has always occurred—at least in modern times, when commercial relations between different countries are so intimate and the means of transportation are so rapid and cheap—even when the undervaluation or overvaluation amounted to only one or two per cent., I think we are fully justified in concluding that if the United States alone should adopt the policy of free and unlimited coinage of legal-tender silver at the ratio of 16 to 1, which would be an overvaluation of that metal to the amount of 100 per cent., all the gold in the country would be immediately hoarded or exported or be held as a commodity by speculators engaged in the business of buying and selling it at a premium. If this should be the result, the free coinage of silver would not for a long time add anything whatever, even nominally, to our stock of money; on the contrary, the immediate effect of such a policy would be a contraction to the extent of fully one-third of our present volume of currency by the expulsion of about $625,000,000 in gold, and it would require more than fifteen years to supply its place with silver dollars, even if our mints coined nothing else.

### CONTRACTION, FLUCTUATION AND DEPRECIATION.

All who have been or may be induced to give their support to this revolutionary policy, upon the assurance that it will give the country more money for use in the transaction of business, will be greatly disappointed, for they will find, when it is too late, that instead of having more money they will have less,

and that it will be depreciated in value besides. The introduction into the currency of a country of any kind of money about which there is the least doubt will always operate to drive out the same amount, or about the same amount, of better money, and thus leave the people with substantially the same volume of currency they had at the beginning. The act providing for the purchase of silver bullion and the issue of legal-tender Treasury notes in payment for it was passed on the 14th day of July, 1890, and the purchasing clause of that act was repealed November 1, 1893. While it remained in force, United States Treasury notes were issued to the amount of $155,931,002, and there were many people who believed that this was making a material and permanent addition to the volume of our currency; but the official records show that during the same time the net exports of gold from this country amounted to $103,419,491, so that the real addition to our circulation accomplished by the issue of nearly $156,000,000 of new notes was about fifty-two and a half million dollars during a period of more than three years. The mere apprehension that the government would not be able to maintain the parity of the two metals under the policy inaugurated by that act not only discredited the new Treasury notes themselves, but the whole volume of our currency, and gold went out about as fast as the new notes came in. While, therefore, it is not at all certain that free coinage would ultimately make any considerable addition to our circulation, it is absolutely certain that it would give us a depreciated and fluctuating currency, and the question is whether the producers of cotton, wheat, corn, beef, pork, oil, lard, cheese, and other exportable articles will be benefited or injured by such a result. It is an axiom in trade that the prices of exportable products are fixed in the foreign market where the surplus is sold, and are fixed in the currency of that country according to its nominal value there. If sold in England, for illustration, the prices are fixed and paid in pounds, shillings and pence, and not in dollars and cents, and, consequently, it makes no difference to the foreign purchaser what kind of currency the producer has at home. The character or value of the currency in use in the producing country does not affect the price of the article abroad to any extent whatever, for the purchaser there trades in his own market and uses his own currency in measuring values. The establishment of a silver standard here could not possibly increase the price of cotton or wheat or any other American product in Liverpool, London, Paris, or Berlin, whatever effect it might have upon the nominal price in this country. If our monetary system were so changed that it would require two dollars to purchase here the same quantity of commodities that one dollar will purchase now, it would not affect the value or purchasing power of the English pound sterling, the French franc, or German mark in the least. The only effect would be that the exchange would be doubled, and the pound sterling instead of being worth $4.866 in our currency, as it is now, would be worth $9.732, and when our people wanted to make a remittance to pay a debt abroad they would have to pay twice as much in our money for the same number of pounds as they pay now, while the foreigner who wanted to make a remittance to pay a debt here would pay only half as much in his money for the same number of dollars as he pays now. But the exchange would be in a constant state of fluctuation, just as it has been between Great Britain and India on account of the changes in the prices of silver from day to day; and the American producer would be compelled to pay for the risk taken on account of the fluctuations by receiving a less price for his cotton, wheat, beef and other articles. The farmers and planters do not export their own products, but they sell them at home to somebody else, who sends them abroad, and if the exchange is steady and the money in which he is to pay for the products has a fixed value relatively to the money in use in the country where he expects to sell them, the purchaser here can afford to pay the highest price that would leave him a reasonable margin of profit in view of the conditions existing in the market abroad. In other words, he has to incur but one risk—the possible fall in the price of the products abroad; but if the currency here is depreciated and fluctuating, if our money has no fixed and certain value relatively to the money in use abroad where he expects to sell the products, there is an additional risk to be incurred which will have great influence in determining the price he can afford to pay the producer. In addition to the risk of a fall in the price of the products abroad he must incur the risk of a rise in the price of silver between the time of his purchase and the time when he receives the proceeds of his sale, for if silver rises in the meantime he may not get back as many dollars as he paid out. The producer must pay for both of these risks by receiving a smaller price for his commodities, and hence his prices will never increase in proportion to the actual depreciation of the money in which they are paid. To illustrate my meaning, when silver is worth 60 cents per ounce, the bullion contained in a silver dollar is worth 46.4 cents, but if the price of silver should advance to 62 cents per ounce the value of the bullion contained in a silver dollar would be 48 cents—an increase of over 3 per cent. Now, the price of cotton or wheat will not rise in proportion to the depreciation of the dollar in which it is to be paid; that is, the purchaser for export will not pay for it at the rate of 46.4 cents for each dollar when silver is worth 60 cents an ounce, because he knows that silver may rise to 61 or 62 cents per ounce before he can sell the product abroad and get his money for it, and he knows that if this happens the gold he receives abroad cannot be exchanged for as many silver dollars as he paid the producer here. He will not take all this risk upon himself, but will compel the producer to bear it by receiving a less price for his cotton or wheat; and this argument applies with equal force to all other articles. It is impossible to estimate accurately the amount of loss which this would inflict upon the American producers of exportable products, but it would undoubtedly be very great, as the value of our exports of domestic merchandise is nearly $870,000,000 per annum, and a small percentage upon this large sum would very materially affect the incomes of our producers.



### THE "DEBTOR CLASS" ARGUMENT.

It is argued that the existing standard of value ought to be abandoned because since 1873 prices of commodities have fallen, and will continue to fall, if the standard is maintained, so that it has been, and will continue to be, more and more difficult each succeeding year to pay debts; that this fall in the prices of all commodities is attributable to the appreciation of gold, and that the appreciation in the value of gold has been caused by the alleged demonetization of silver in Germany in 1871 and 1873, the omission of the standard silver dollar from the coinage of the United States in 1873, and the suspension of the coinage of silver by France in 1878. It is true that the prices of many things have fallen since 1873, but it is true, also, that the prices of many things had fallen long before that date. The assertion that the fall in prices since 1873 is due to the appreciation of gold alone is based upon the assumption that the relations between supply and demand have not changed; that there has been

no diminution of the cost of production and distribution; that the facilities for effecting financial exchanges have not been improved, and, in brief, that the world has made no progress in the conduct of its industrial and commercial operations for more than twenty years. This assumption is so inconsistent with well-known economic and historical facts that it seems scarcely worth while to give it a serious consideration. Reductions in the prices of commodities are generally due to so many different causes that it is scarcely ever possible to ascertain the extent of their separate influences. I presume, however, that even the most ardent advocate of free coinage would be willing to admit that the invention and use of labor-saving machinery, the extension of our railroad systems, the improvement of our water-ways and the great reductions in the rates for carrying freight, the employment of steamships, the use of the telegraph on the land and under the sea, the application of electricity in the production of light, heat and power, the utilization of by-products which were formerly wasted, the introduction of more economical methods in the processes of production, the wonderful advance made by our laborers in skill and efficiency, the greatly reduced rates of interest paid for the use of capital, and many other things which it would require much time to enumerate and explain, have affected prices in some measure, at least, and yet they ignore all these great influences in their argument upon the subject and attribute the lower prices of commodities to a single alleged and inadequate cause—the appreciation of gold. I presume, also, that our free-coinage friends will admit that if the change in prices has been caused entirely by the appreciation of gold, the reduction would have affected all things alike, because it cannot be denied that, in the absence of other influences, gold must bear the same relation to the price of one article that it bears to the price of another. But we do not find that the prices of all things have been reduced in the same proportion, nor do we find that the prices of all things have in fact been reduced. It would require far more time than could be devoted to the subject upon such an occasion as this to discuss the subject of prices in all its details, nor is it necessary to do so for the purpose of this argument, because a very few illustrations will serve to show the weakness of the contention that the decline is due alone to the appreciation of gold.

### SOME FACTS CONCERNING WAGES AND PRICES.

In 1891, 1892 and part of 1893 I had the honor to serve on a sub-committee charged by the Senate of the United States with the duty of ascertaining the course of prices and wages of labor for as long a period as authentic records would enable us to embrace in our investigation, and, after a most thorough and impartial examination of the subject, a report was made which fills four large volumes and embodies a mass of information upon these subjects which cannot be found in any other official form. As to the course of prices and wages the committee was unanimous, though there were differences of opinion among the members as to the causes that had from time to time produced the changes. The prices of many articles and the wages of labor in many occupations were ascertained during each year as far back as 1840, and for the purposes of comparison the prices of commodities and the wages of labor in the year 1860 were adopted as the standard. The sufficiency of the reasons for selecting that year rather than any other will not, I think, be questioned. There were no great financial or other disturbances during that year, business was in a normal condition in all parts of the country, no changes had been made in the monetary systems of the world for many years, the United States was using gold as the



measure of value, just as it is now, except that there was no legal-tender silver in circulation as there is now, the people were prosperous and the prices of commodities and the wages of labor were fairly adjusted with relation to each other. At the time when this investigation was made all the legislation in regard to silver now specifically complained of had been accomplished, and if prices or wages had fallen, there was as much reason to attribute the reduction to that legislation then as there is now. Ample time had been afforded for its effects, if it had any, upon prices and wages to be felt, and the fact that the investigation was not made for the purpose of influencing legislation upon the silver question adds to the value of its results.

In the first place, the committee unanimously selected 232 articles in common use which it was agreed constituted the great bulk of the consumption and expenditures of the people, and these articles were separated into eight classes or groups; that is, clothes and clothing, fuel and lighting, metals and implements, lumber and house-building materials, drugs and chemicals, house-furnishing goods, and miscellaneous commodities. It was found that the prices of articles used for food, taking them altogether, had fallen less than 10 per cent. since 1873, while the prices of clothes and clothing had fallen 32 per cent.; fuel and light nearly 24 per cent.; metals and implements, 35 per cent.; lumber and building materials, nearly 20 per cent.; drugs and chemicals, 31 per cent.; house-furnishing goods, 27 per cent., and miscellaneous articles, 10 per cent. The prices for the year 1860 being taken as the standard were represented by 100, and increases and decreases were shown by deviations from that number up or down, as the case might be. The investigation showed that at the time it was made articles of food stood at 103.9, or nearly 4 per cent. higher than in 1860; clothes and clothing at 81.1; fuel and lighting at 91; metals and implements at 74.9; lumber and house-building materials at 122.3; drugs and chemicals at 86.3; house-furnishing goods at 70.1, and miscellaneous articles at 95.1. These results of the investigation establish three facts which have an important bearing upon the present controversy. The first fact established is that the prices of articles of food which are the products of the farms, gardens, orchards and dairies of the country, were about 4 per cent. higher than they were in the year 1860, long before the silver legislation now complained of; the second is, that the fall in the prices of these farm products since the year 1873 has been much less than the fall in the prices of the commodities the farmers have to buy; and the third is, that the reductions in prices have not been uniform, either as to particular articles or groups of articles, and therefore cannot be attributed to one and the same cause—to the appreciation of gold, for instance. The conclusion is inevitable that various influences have operated to produce these changes in prices, some affecting one group of articles and some another, and doubtless some affecting all, but to no one influence can the whole result be attributed. Cotton and wheat are the commodities most frequently referred to by those who contend that the fall in prices is due to the appreciation of gold, but there is nothing whatever in the methods of producing those articles, or in transporting or selling them, or in the character of the money received for them, which would make the appreciation of gold affect their prices more than it would affect the prices of other commodities produced by our people. In addition to the various causes which have more or less affected the prices of all articles, the prices of these two products have been seriously affected by the enormous increase in their production since the year 1872, which was the last crop year preceding the

legislation in regard to silver. The production of cotton in this country in 1872–'3 was 2,974,351 bales, containing an average of 439 pounds net weight, while the production in 1893–'4 was 7,549,817 bales, containing an average of 474 pounds net weight, or an increase of nearly 200 per cent. in this country alone, besides the great increase that has taken place in competing countries; and in 1894–'5 the production here was much larger, being nearly 10,000,000 bales. According to the statistics of the Agricultural Department, the production of wheat in this country in 1872 was 249,997,100 bushels, and in 1894, 460,267,416 bushels, or nearly twice as much, and there has also been an enormous increase of production in competing countries. But, gentlemen, notwithstanding the great increase in the production of cotton and wheat, here and in other countries, and the consequent decline in their prices, a given quantity of either of them will now purchase in our own markets and in the markets abroad a larger share of many other useful commodities than it would have purchased in 1872 or 1873; so that, in fact, as compared with many other things, the values of cotton and wheat have appreciated.

### WAGES INCREASED.

The one thing which has been less affected by the changes in the relation between supply and demand, by improvements in the methods of production and distribution and by the other influences which produce fluctuations in prices of commodities generally, is labor, and it is by far the most important single source of income possessed by our people, a much larger amount being expended every year in the payment of wages than for any other one purpose. The cost of labor in the manufacturing and mechanical industries alone during the census year 1889 was $2,283,216,529, which was nearly two and one-half times the value of all the wheat and cotton produced in this country; and if we add to this the amounts paid for farm labor, for clerical and other work in mercantile establishments, for domestic service and for work on railways of all kinds, on water craft, on streets and other improvements in the cities, and in the many other occupations which give employment to our people, we would have a sum almost, if not quite, equal to the value of all our agricultural products. It is evident, therefore, that if the alleged depreciation of gold alone has caused a reduction of prices, the wages of labor, the greatest commodity in the market, should have fallen since 1873; but exactly the reverse is true. The investigations of this subject by the sub-committee covered a period of fifty-two years and embraced all the occupations in which our people were engaged, and the fact, unanimously found, was that, although eighteen years had elapsed since the silver legislation, the wages of labor were higher than in 1872 or 1873. Wages were found to be nearly 61 per cent. higher than in 1860, which was thirteen years before the silver legislation, and more than eight per cent. higher than in 1873, when that legislation was adopted.

### ALTERNATING MONOMETALLISM—REDUCTION OF REDEMPTION MONEY.

The argument that the reduction of prices is due to the appreciation of gold is necessarily based upon the further assumptions that the legislation in regard to silver has produced a scarcity of redemption or metallic money in the world, and that prices are fixed and regulated by the amount of such money in circulation, or available for circulation. Neither of these assumptions is justified by the facts. The most exhaustive efforts have been made from time to time by the Treasury Department, through the Director of the Mint, by careful examinations of the monetary statistics of other countries, by correspondence with our diplomatic and consular representatives abroad and with foreign financial authorities, and otherwise, to ascertain the actual amount of gold and silver used as money in the world, and the result shows that there is now more gold and silver in the aggregate, and more of each one of them, in use as full legal-tender money than there ever was at any other time in the history of the world. The gold in use as money amounts to $3,965,900,000, the full legal-tender silver amounts to $3,435,800,000, and the limited legal-tender silver amounts to $619,900,000. The policy of maintaining, or rather attempting to maintain, the so-called double standard never succeeded in keeping so large an amount of full legal-tender silver in circulation in the world as there is at this time, and one of the principal reasons for this is that the effect of that policy was to drive first the coins of one metal and then the coins of the other into the coffers of the hoarders or into the melting-pots, because they were undervalued in the coinage laws and would not remain in use as money.



### PER CAPITA; REGULATING THE CURRENCY BY THE CENSUS RETURNS.

I attach very little importance to the per capita argument, because the amount of currency required in a country depends mainly upon the volume of business to be transacted and the customs of the people in conducting their exchanges, and not at all upon the number of men, women, and children residing in it; but, as there are a great many who believe that the circulation should be regulated by the census returns, it may be worth while to state that the production of gold alone in 1890—and it is much larger now—was nearly two and a half times greater than the average annual production of gold and silver both during the decade which closed with the year 1800. In 1800 the population of all the countries in Europe and America was 197,505,895, and the production of both gold and silver amounted to $24.49 for every hundred inhabitants, while in 1890 the population of the same countries was 466,789,341, and the production of gold alone was $118,849,000, which amounted to $25.46 for every hundred inhabitants, or ninety-five cents more for each hundred people than was furnished by both metals during each year in the former decade. In 1894 the population of these countries was 485,180,841, and the production of gold alone was $157,228,000, being $32.41 for each hundred inhabitants, or $7.92 more for each hundred people than the total of both metals during the last decade of the last century. If, therefore, the people of Europe and America had used as money all the gold and all the silver annually produced in the world one hundred years ago, they would not have received as large a per capita addition to their stock of money as they would receive now by adding the gold alone. In view of these facts, I submit that the silver legislation of 1871 and 1873, and in 1878 has not diminished the world's supply of metallic money as compared with former times and prevented the single gold-standard countries from making as great an annual addition to their stock of metallic currency.

Official monetary statistics show that in the gold-standard countries of the world the stocks of money are much larger per capita than in the silver-standard countries. Taking the large gold-standard countries and the large silver-standard countries, it appears that in 1894 the stock of money in the United States was over $25 per capita, in the United Kingdom nearly $20, and in Germany, nearly $19, while in Mexico the per capita was $4.71, in Russia and Finland $8.32, and in China $3.26. The gold-standard countries use large amounts of silver as money, but the silver-standard countries use no gold as money, and

cannot do so for the reasons I have already endeavored to explain. But, gentlemen, for the reasons already stated, the commercial nations of the world do not now require the same proportion of metallic money in the transaction of their business that they required a few centuries ago, or even one century ago. Credit has been vastly extended and the use of paper in the form of notes, checks and bills has almost entirely displaced metallic money in the daily business of the people, and as long as these forms of credit are kept equal in value to the metallic standard, the effect upon the prices of commodities is precisely the same as if the whole volume of circulation consisted of standard coin, for, as long as equality in their value can be maintained, the paper representatives of the dollar perform exactly the same office in the exchange of commodities that gold dollars themselves would perform; but if this equality is destroyed, the paper is discredited, its purchasing power is diminished, and the people have no longer a stable measure of value.

### "CHEAP MONEY" FOR DEBTORS, INDIVIDUAL AND CORPORATE.

One of the most effective arguments made by the advocates of free coinage, in some parts of the country at least, is that the people are in debt, and that it is the duty of the Government to relieve them by such legislation as will enable them to procure cheap money for the purpose of discharging their obligations, and in support of this argument the most exaggerated statements are made as to the depressed and suffering condition of our farmers, wage-earners, and other producing classes. This argument concedes that under the proposed system of free coinage at the ratio of 16 to 1 all the various kinds of currency in use by the people, including the silver dollar itself, would be worth less than it is now, for, of course, if this is not to be the result money would be no cheaper than it is now. To assert that the people are in debt is simply to say that they have traded with each other on credit, that one part of our fellow-citizens, relying upon the integrity and financial standing of their neighbors and acquaintances, have lent them money on time and sold property to them without demanding immediate payment in cash, and that in this way they have enabled many people to carry on a useful business and live in comfortable homes who otherwise could not have done so. If it is a crime to lend money to a man who wants to borrow it, or to sell property on credit to a man who wants to purchase it and has no ready money to pay for it, let the perpetrators be properly punished, but let us not involve the whole country in confusion and disaster and immolate the innocent and guilty alike in order to punish the real offenders. If our people are in debt they owe each other, and, consequently, about as many would be actually injured as would be apparently benefited by scaling the obligations down to a silver standard. The indebtedness of the farmers, mechanics, and other laboring classes of our people, although large in the aggregate, is quite small in comparison with the whole indebtedness of the great railroad and manufacturing corporations, the national and State banks, savings institutions, trust companies, insurance companies, building associations, and other organizations engaged in financial and commercial enterprises. These various organizations are indebted to the people to the extent of many billions of dollars, and while it is true that many of the people are also indebted to them, their debtors and creditors are not the same persons, and, therefore, the debts cannot be set off against each other and extinguished in that way. I deny that there is any such thing as a distinct "debtor class" in this country, for, while nearly every one owes some debts, large or small, nearly every one has also some debts owing to him; in other words, he is both debtor and creditor. The laboring people, as a general rule, owe very little at any one time, while their employers are always indebted to them, because wages are not paid in advance; and besides, many of them have small deposits in savings and other banks, in trust companies, in building associations, and large numbers of them have their lives insured for the benefit of their wives and children, and consequently they are creditors of the banks and the insurance companies. The savings bank depositors in this country last year numbered 4,777,687, and the wives and children of the depositors who depended upon these accumulated earnings for future support doubtless numbered 10,000,000 more. There were 1,925,340 depositors in the national banks last year, and 1,724,077 of them had deposits of less than $1,000 each, while State and private banks and loan and trust companies held deposits for 1,436,638 people. Our life insurance companies, to say nothing of companies insuring property against loss by fire and otherwise, had 7,505,870 policies outstanding last year, upon which the premiums had been paid, or were being paid by the people, and the mutual benefit and assessment companies had 3,478,000 members. The building and loan associations had nearly 2,000,000 members, all of whom had paid their money in as required by the rules of the body to which they belonged. Here, then, are about 21,000,000 of our people, generally poor, or, at least, people of moderate means, who have given credit to these great corporations and companies, and, in my opinion, it would be a grievous wrong to adopt any policy which would deprive them of the legal right to demand and receive just as good money as they parted with when they made the deposits in the banks or paid the premiums on their insurance policies. The hard-earned savings of the poor ought not to be sacrificed to the avarice of the wealthy mine-owners or the ambition of aspiring politicians, and if the people who have a substantial interest in the welfare of the country and a just appreciation of their responsibilities as citizens will exert their proper influence in public affairs this great wrong can never be perpetrated.



### BANKING AND CURRENCY PROBLEMS. OUR HIGHEST DUTY.

Mr. President, but little remains for me to say before bringing these remarks to a conclusion. It is not my purpose to discuss upon this occasion the various propositions which have been made from time to time for the improvement of our banking system, or for the retirement of United States notes, because the questions involved in them are so important and so large that they cannot be properly considered in connection with the subject to which my time has been devoted. We have an abundance of money in this country for all the purposes of trade, and the disturbances and hard times of 1893 and 1894 were not caused by a scarcity or contraction of the currency, but by a contraction of credit resulting from a loss of confidence in the stability and value of our currency. So far as the mere volume of our currency is concerned, we had then and have now an ample supply for all necessary purposes, but under the existing system it is not properly distributed and is not sufficiently elastic to meet all the changing requirements of business at different periods of the year. The United States should go entirely out of the banking business by the withdrawal of its arbitrary and compulsory issues of notes and afford the people an opportunity to supply their own currency based upon their own means and credit, thus enabling every community to utilize its own resources when necessary, and adjust the circulation from to time to the actual demands of legitimate commerce. In what way

this shall be accomplished is a question which has already engaged the serious attention of the people and public authorities, and it will no doubt continue to be investigated and discussed until a plan is formulated which, if not perfect, will at least have the merit of being a great improvement upon the existing system. In the meantime our highest duty is to preserve the present standard of value, maintain the parity of the two metals, and keep all the money in circulation among the people, whether it be gold and silver coins, or paper based upon them, equal in purchasing power, so that no discrimination will or can be made between those who receive silver or paper and those who receive gold. A great government should do nothing to discredit its own obligations or diminish the value of the money in the hands of its citizens, nor should the people of a great country ever consent to the adoption of a policy, through experimental financial legislation or otherwise, which would vitiate the obligations of their contracts, interrupt the regular course of their business and destroy the foundations upon which their industrial and commercial systems have been constructed. The spirit of conservatism is still strong among our people, and, notwithstanding the delusive promises and selfish appeals that are now largely influencing their opinions in some parts of the country, the truth will ultimately prevail and I have no doubt of the result when the time for final action comes.

Gentlemen, I thank you for your polite attention and for the opportunity you have given me to say something upon this great subject to an audience of Southern men. We are all Americans, all citizens of the same great Republic, and while it endures the fortunes of the North, South, East and West will be bound indissolubly together. There can be no antagonistic interests, no prosperity in one section at the expense of another ; but we must all stand or fall together. So believing, I have spoken to you to-day without reservation or exaggeration in behalf of that policy which, in my judgment, will most certainly promote the welfare and preserve the credit and honor of our whole country.

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TITLE